



## Checklist for Preparing an Indirect Cost Rate Proposal

The following is a list of materials that, unless otherwise directed by NSF, should be submitted by an awardee organization as part of its indirect cost rate (ICR) proposal package. In addition to reviewing the documents listed below, CAAR reviews ICR proposal packages for compliance with applicable federal requirements, and may request additional information based on the scope of its review.

### ORGANIZATIONAL PROFILE

- ☐ Cover Letter, which states the organization's requested period(s) covered by the rate(s), the type of rate(s), and the allocation base(s)
- ☐ 1-2 page statement of major activities performed at the organization, including a description of the organization's mission including research grants and contracts performed—special attention should be directed to services performed for the general public, member services, fundraising, and lobbying activities as these expenses are normally considered unallowable but may still need to be included in the direct cost base for purposes of ICR calculations
- ☐ Description of services allowable and allocable to federal grants and contracts under applicable cost principles such as 2 CFR 200 Subpart E or FAR Part 31
- ☐ Organizational chart(s) and any information or material explaining the various services and functions of each business unit, including identification of units as indirect or administrative when applicable

### SIGNED COST POLICY STATEMENT

- ☐ Statement on general accounting policies, including but not limited to basis of accounting (accrual or cash basis), fiscal year end, description of the indirect cost allocation methodology, statement of allocation base for the ICR, any intermediate allocations (if used), and a general description of the accounting system and accounting software or business systems used
- ☐ For each general ledger expense account or cost element, indication of its role as a direct or indirect expense account. For those accounts related to activities that are sometimes charged as both direct and indirect costs, indication of the circumstances under which the determination is made is also required. Example accounts include:
  - Salaries and wages
  - Travel
  - Supplies and materials
  - Occupancy expenses
  - Utilities
  - Communications
  - Photocopying and printing
  - Outside services
  - Capital items
  - Depreciation
- ☐ Description of allocation methodology (e.g., actual usage, square feet, cost of space, volume, etc.) for each of the above general ledger accounts in which costs are allocated to more than one activity through an intermediate allocation methodology

### **STATEMENT ON UNALLOWABLE COSTS**

- ☐ Description of the accounting treatment of unallowable costs
- ☐ Methods and internal controls in place to segregate unallowable costs in the accounting system
- ☐ List of expense accounts to which unallowable costs are charged

### **EMPLOYEE TIME SHEET SAMPLE**

- ☐ Completed and signed sample time sheet that provides for the distribution of hours between direct and indirect functions and written policies and procedures for completion of time and effort reports

### **ICR PREPARATION POLICIES AND PROCEDURES**

- ☐ Written policies and procedures that describe the organization's ICR proposal preparation process

### **FINANCIAL REPORTS FOR THE YEAR UNDER REVIEW**

- ☐ Complete copy of audited financial statements
- ☐ Single Audit (previously Office of Management and Budget A-133) Report
- ☐ Federal income tax returns for the year under review (required only if the documents listed above are not available)

### **ICR CALCULATION**

- ☐ Indirect Cost Pool (detail of indirect cost pool expenses by function and/or cost category)
- ☐ Direct Cost Base (detail of calculation of the direct cost base by function and/or cost category)
- ☐ Unallowable Costs (detail of the unallowable costs, including an explanation and determination if these costs are excluded from the ICR calculation or included in the direct cost base)
- ☐ Exclusions (detail of the costs that are excluded from the direct cost base for purposes of calculating the ICR, including but not limited to equipment, participant support, subcontracts greater than \$25,000, and other distorting items)
- ☐ Reconciliation between the total expenses per the indirect cost proposal and the organization's annual expenses per the income statement in the awardee organization's audited financial statements

### **STATEMENT OF UNUSUAL FACTORS**

- ☐ Description of all unusual factors which may affect the proposed rates (e.g., anticipated increase or decrease in business, moving to new location, anticipated award portfolio, non-recurring costs, and any assumptions that should be taken into consideration in establishing projected ICRs or multi-year predetermined rates)
- ☐ Identification of any memoranda of understanding or advance agreements which may affect the proposed rates
- ☐ Documentation of any special approval or understanding issued on allowability of certain types of costs, either by grants officer determination or specific language in the award instrument

### **LISTING OF ALL GRANTS AND CONTRACTS**

- ☐ Listing of all grants and contracts (organized by federal agency) that were active during the fiscal year under review, including the following details:

- Total dollar amount
- Period of performance
- Indirect cost limitations, if applicable (e.g., ceiling rates or amounts restricted by administrative or statutory regulations)

#### **COMPLETED CERTIFICATIONS**

- ☐ Completed lobbying certificate, which verifies that the organization does not include lobbying costs in its indirect costs
- ☐ Completed certificate of indirect costs, negotiated with a cognizant federal agency and signed by an organizational representative who has the authority to contractually bind the organization (generally the chief financial officer, vice president, or other comparable position within the organization)